

HAMTRAMCK HOUSING COMMISSION  
HAMTRAMCK, MICHIGAN  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
AND  
REPORTS ON COMPLIANCE AND  
ON INTERNAL CONTROL

Sailor

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HAMTRAMCK HOUSING COMMISSION  
Hamtramck, Michigan

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**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Hamtramck Housing Commission  
Hamtramck, Michigan

We have audited the accompanying basic financial statements of the Hamtramck Housing Commission, Michigan, (Commission) as of and for the year ended December 31, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Because of the weak condition of the Commission's records as they relate to fixed asset accounting and other accounting records, we were unable to validate fixed assets and other financial statement amounts. In addition, we were unable to determine the validity of these accounts through the use of alternative procedures.

In our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had we been able to determine the validity of fixed assets, and other amounts, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Hamtramck Housing Commission, Michigan, as of December 31, 2004, and the changes in its financial position and its cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Commission has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of December 31, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2005, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages iii to vii is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

## Hamtramck Housing Commission

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### Management's Discussion and Analysis (MD&A) December 31, 2004 (Unaudited)

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This section of the Hamtramck Housing Commission (Commission) annual financial report presents our management's discussion and analysis of the Commission's financial performance during the fiscal year ended on December 31, 2004. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the financial statements as a whole.

Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999.

For accounting purposes, the Housing Commission is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

#### FINANCIAL HIGHLIGHTS

The term "net assets" refers to the difference between assets and liabilities. The Commission's total net assets as of December 31, 2004 were \$14,400,580. The net assets decreased by \$549,110, a decrease of 3.7% over the prior year.

Revenues and contributions for the Commission were \$2,221,440 for the year ended December 31, 2004. This was a decrease of \$3,238,731 or 59.3% from the prior year.

Expenses for the Commission were \$2,770,550 for the year ended December 31, 2004. This was a decrease of \$658,558 or 19.2% from the prior year.

HUD operating grants was \$1,124,739 for the year ended December 31, 2004. This was a decrease of \$271,174 or 19.4% over the prior year. Capital contributions for the Commission was \$165,246 for the year ended December 31, 2004. This was a decrease of \$2,850,670 or 94.5% over the prior year.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this *Management Discussion and Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented as fund level financial statements because the Commission only has proprietary funds.

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Required Financial Statements**

The financial statements of the Housing Commission report information of the Commission using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Assets includes all the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the capital structure of the Commission and assessing the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

**Supplemental Information**

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established *Uniform Financial Reporting Standards* that require Housing Commission's to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended December 31, 2004 and is required to be included in the audit reporting package.

**COMMISSION'S POSITION**

The Commission has completed the 2002 Capital Fund Program and plans to use the 2003, 2004 and 2005 capital funds for upgrading units to meet barrier free requirements, purchase of maintenance trucks, landscaping, and preparation of vacant units.

The Commission underwent major management turnover in the past fiscal year; three director changes occurred; an assistant director was terminated, several lawsuits were initiated- only one was considered and will be settled out of court. The unapproved budget and restrictions placed on Capital Funds were a result of the uncertainty in management and HUD's constraints placed on the Commission; current management has brought stability to the Commission which has been well received by HUD.

We anticipate current funding levels for operations and capital improvements will remain consistent with past years; we are striving to become untroubled and manage the Commission's resources, therefore, the Commission expects to continue to provide safe, sanitary and decent housing for the low and moderately low income senior's and families.

# **Management's Discussion and Analysis (MD&A) - Continued**

## **FINANCIAL ANALYSIS**

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the following table, assets exceeded liabilities by \$14,400,580 at the close of the year ended December 31, 2004 down from \$14,949,690 in 2003. The decrease in net assets of \$549,110 was due to the change in net assets.

The unrestricted net assets were \$980,748 as of December 31, 2004. This amount may be used to meet the Commission's ongoing obligations. The Commission had no net assets classified as restricted that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the Commission is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

## **CONDENSED STATEMENTS OF NET ASSETS DECEMBER 31,**

	<u>2004</u>	<u>2003</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and other assets	\$ 1,412,289	\$ 1,468,835	\$ (56,546)	-3.9%
Capital assets	<u>13,419,832</u>	<u>13,877,229</u>	<u>(457,397)</u>	-3.3%
Total Assets	<u>14,832,121</u>	<u>15,346,064</u>	<u>(513,943)</u>	-3.3%
Current liabilities	413,711	331,093	82,618	25.0%
Noncurrent liabilities	<u>17,830</u>	<u>65,281</u>	<u>(47,451)</u>	-72.7%
Total Liabilities	<u>431,541</u>	<u>396,374</u>	<u>35,167</u>	8.9%
Net Assets				
Invested in capital assets	13,419,832	13,877,229	(457,397)	-3.3%
Unrestricted	980,748	1,072,461	(91,713)	-8.6%
Total Net Assets	<u>\$ 14,400,580</u>	<u>\$ 14,949,690</u>	<u>\$ (549,110)</u>	-3.7%

The largest portion of the Commission's net assets reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Commission uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

As can be seen in the table on the following page total revenues and contributions decreased by \$3,238,731 primarily due to decreases in rental revenue, HUD operating grants and capital contributions.

HUD operating grants are a result of requisitioning eligible funds. HUD operating grants received are a result of calculations under the Performance Funding System and Capital contributions authorized and obligated during the year; however, due to the Commission being deemed troubled, and numerous management changes during the year, HUD froze the grants and contributions for most of the year. The result of HUD's action was that some grant and contributions awards were unavailable until late in the year. The current administration is working with HUD to resolve issues concerning the management of the Commission; HUD is in the process of releasing grants which have been awarded but not released due to past practices.

**Management's Discussion and Analysis (MD&A) - Continued**

**FINANCIAL ANALYSIS (CONTINUED)**

**CONDENSED STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
DECEMBER 31,**

	<u>2004</u>	<u>2003</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>Revenues and Contributions</b>				
Operating - non-operating -capital contributions:				
Rental revenue	\$ 911,405	\$ 1,018,051	(106,646)	-10.5%
HUD operating grants	1,124,739	1,395,913	(271,174)	-19.4%
Interest income	466	2,780	(2,314)	-83.2%
Capital Contributions	165,246	3,015,916	(2,850,670)	-94.5%
Other income	19,584	27,511	(7,927)	-28.8%
Total Revenues and Contributions	<u>2,221,440</u>	<u>5,460,171</u>	<u>(3,238,731)</u>	-59.3%
<b>Expenses</b>				
Personal services	929,317	959,940	(30,623)	-3.2%
Utilities	589,122	549,916	39,206	7.1%
Operations and maintenance	250,431	889,437	(639,006)	-71.8%
Non routine maintenance	—	(9,485)	9,485	-100.0%
Insurance	128,057	114,397	13,660	11.9%
Payment in lieu of taxes	36,439	46,814	(10,375)	-22.2%
Other supplies and expenses	214,541	589,241	(374,700)	-63.6%
Depreciation	622,643	288,878	333,765	115.5%
Total Expenses	<u>2,770,550</u>	<u>3,429,138</u>	<u>(658,588)</u>	-19.2%
Change in net assets	(549,110)	2,031,033	(2,580,143)	
Beginning net assets	<u>14,949,690</u>	<u>12,918,657</u>	<u>2,031,033</u>	
Ending net assets	\$ <u>14,400,580</u>	\$ <u>14,949,690</u>	\$ <u>(549,110)</u>	

Total expenses decreased by \$658,588 due to decreases in personal services, operations and maintenance and other supplies and expenses. These decreases were due to the elimination of the assistant director position, discontinuing consulting fees, the reclassification of cost to capital fund programs and the termination of several long term employees, which resulted in an adjustment to compensated absence. Utilities, non-routine maintenance and insurance increased for the year 2004.

## Management's Discussion and Analysis (MD&A) - Continued

### CAPITAL ASSETS

*Capital Assets* - The Hamtramck Housing Commission's investment in capital assets, as of December 31, 2004 amounts to \$13,419,832 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment and construction in progress.

#### CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION DECEMBER 31,

	2004	2003	Dollar Change
Land	\$ 184,325	\$ 184,325	\$ —
Building	16,463,944	10,381,367	6,082,577
Furniture, equipment and machinery- dwelling	321,812	321,812	—
Furniture, equipment and machinery- administration	496,057	496,057	—
Leasehold improvements	483,753	483,753	—
Construction in progress	693,023	6,610,354	(5,917,331)
	18,642,914	18,477,668	165,246
Accumulated depreciation	5,223,082	4,600,439	622,643
Total	\$ 13,419,832	\$ 13,877,229	\$ (457,397)

The total decrease in the Commission's capital assets for the current fiscal year was \$457,397 in terms of net book value. The Commission has \$349,976 available in Capital Funds and \$146,695 in Comprehensive Grant Program to draw down and spend in the future.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Housing Commission is primarily dependent upon HUD for the funding of operations; therefore, the Housing Commission is affected more by the Federal budget than by local economic conditions. The funding of programs could be significantly affected by the 2005 Federal budget.

### REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Kevin Krondrat, Executive Director, Hamtramck Housing Commission; 12025 Dequindre; Hamtramck, Michigan 48212.



HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

STATEMENT OF NET ASSETS

December 31, 2004

ASSETS

Current Assets:

Cash and cash equivalents	\$ 98,024.32
Receivable - net of allowances:	
Accounts	1,246,724.54
Prepaid expenses	<u>67,540.14</u>
Total Current Assets	<u>1,412,289.00</u>

Noncurrent Assets:

Capital assets:

Land, improvements, and construction in progress	877,348.03
Other capital assets, net of depreciation	<u>12,542,484.04</u>
Total capital assets- net	<u>13,419,832.07</u>
Total Noncurrent Assets	<u>13,419,832.07</u>

Total Assets	<u>\$ 14,832,121.07</u>
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See notes to financial statements

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

STATEMENT OF NET ASSETS (CONTINUED)

December 31, 2004

**LIABILITIES**

**Current Liabilities:**

Accounts Payable	\$ 162,403.68
Accrued compensated absences	1,981.16
Tenant security deposit liability	71,117.50
Deferred revenues	<u>178,208.10</u>

Total Current Liabilities 413,710.44

**Noncurrent Liabilities:**

Accrued compensated absences	<u>17,830.40</u>
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Total Noncurrent Liabilities 17,830.40

Total Liabilities 431,540.84

**NET ASSETS**

Invested in capital assets	13,419,832.07
Unrestricted	<u>980,748.16</u>

Total Net Assets 14,400,580.23

Total Liabilities and Net Assets \$ 14,832,121.07

See notes to financial statements

# HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

## STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

For Year Ended December 31, 2004

**Operating Revenues:**

Rental revenue	\$ 911,405.48
Operating subsidies- HUD grants	1,124,738.67
Other revenues	19,583.86
	<hr/>
Total operating revenues	2,055,728.01

**Operating Expenses:**

Personal services	929,317.38
Utilities	589,121.66
Operations and maintenance	250,430.54
Insurance	128,056.86
Payment in lieu of taxes	36,439.00
Other supplies and expenses	214,541.43
Depreciation	622,642.89
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Total operating expenses	2,770,549.76
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Operating income (loss)	(714,821.75)
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**Non-operating revenues (expenses):**

Interest and investment earnings	465.87
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Net non-operating revenues (expenses)	465.87
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Income (loss) before other revenues, expenses, gains, losses and transfers	(714,355.88)
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Capital contributions	165,246.05
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Change in net assets	(549,109.83)
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Net assets at beginning of year	14,949,690.06
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Net assets at end of year	\$ 14,400,580.23
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See notes to financial statements

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

STATEMENT OF CASH FLOWS

For Year Ended December 31, 2004

<b>Cash flows from operating activities:</b>	
Cash received from tenants	\$ 935,152.47
Cash received from HUD grants- operating	1,124,738.67
Cash received from other operating activities	19,583.86
Cash payments for goods and services	(1,173,314.19)
Cash payments to employees-salaries	(649,974.77)
Cash payments for employee benefit contributions	(332,065.58)
Cash payments for in lieu of property taxes	(46,814.00)
Net cash provided (used) by operating activities	<u>(122,693.54)</u>
<b>Cash flows from capital and related financing activities:</b>	
Capital contributions	215,850.33
Payments for capital assets	(95,839.07)
Net cash (used) for capital and related financing activities	<u>120,011.26</u>
<b>Cash flows from investing activities:</b>	
Interest and dividends	465.87
Receipts (payments) from tenant security deposits	(11,337.53)
Net cash provided (used) from investing activities	<u>(10,871.66)</u>
Net increase (decrease) in cash and cash equivalents	(13,553.94)
Cash and cash equivalents at beginning of year	<u>111,578.26</u>
Cash and cash equivalents at end of year	\$ <u>98,024.32</u>
<b>Noncash Investing, Capital and Financing Activities:</b>	
Acquisition of capital assets on account	\$ <u>69,406.98</u>

See notes to financial statements

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

STATEMENT OF CASH FLOWS (CONTINUED)

For Year Ended December 31, 2004

Reconciliation of operating income (loss) to net cash  
provided (used) by operating activities:

Operating income (loss)	\$ (714,821.75)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	622,642.89
Changes in assets and liabilities:	
Receivables	(3,810.94)
Prepaid expenses	(3,801.14)
Accounts and other payables	2,262.44
Deferred revenues	27,557.93
Compensated absences	<u>(52,722.97)</u>
Net cash provided (used) by operating activities	\$ <u>(122,693.54)</u>

See notes to financial statements

Hamtramck, Michigan

December 31, 2004

The Hamtramck Housing Commission (Commission) is a non-profit entity established to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

**1a. Financial Reporting Entity**

**Primary Government:**

In determining the financial reporting entity, the Housing Commission complies with the provisions of GASB Statement No. 14 as amended by GASB no 39, "The Financial Reporting Entity," and includes all component units, if any, of which the Housing Commission appointed a voting majority of the units' board; the Housing Commission is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria.

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Commission's programs as an enterprise fund.

# HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

## NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

### NOTE 1 - Summary of Significant Accounting Policies (Continued)

#### 1b. Basis of Presentation (Continued)

Following is a description of the Commission's programs:

Program	Brief Description
Low Rent	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Comprehensive Grant Program	Accounts for activities of the primary source of Comprehensive Grant funds for physical improvements to public housing units and for improvements to the management and operational practices of existing public housing projects, operating more than 250 units.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing authorities to modernize public housing developments.

#### 1c. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

##### Measurement Focus

In the financial statements, the "economic resources" measurement focus is used as follows:

- ▶ The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

##### Basis of Accounting

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

**1d. Assets, Liabilities, and Equity**

**Cash**

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

**Interprogram Receivables and Payables**

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

**Receivables**

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accrued interest receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

**Budgets and Budgetary Accounting**

The Commission adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

**Estimates and Assumptions**

The Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.



HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

**1d. Assets, Liabilities, and Equity (Continued)**

**Capital Assets**

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$500.00 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The amount of \$1,057,858 will be depreciated beginning next year when it will be transferred to the Low Rent Program from the Capital Fund Program. The range of estimated useful lives by type of asset is as follows:

Buildings	40	years
Furniture, equipment and machinery - dwelling	7	years
Furniture, equipment and machinery - administration	7 - 10	years
Leasehold improvements	15	years

**Compensated Absences**

The Housing Commission's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

**Equity Classifications**

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Commission had no related debt.
- b. Unrestricted net assets—All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

**1e. Revenues, Expenditures, and Expenses**

**Operating Revenues and Expenses**

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

**Interfund Transfers**

For the purposes of the Statement of Revenues, Expenses and Change in Net Assets, all interfund transfers between individual programs, if any, have been eliminated.

**NOTE 2 - Stewardship, Compliance, and Accountability**

The Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Commission's compliance with significant laws and regulations and demonstration of its stewardship over Commission resources follows.

**2a. Program Accounting Requirements**

The Commission's complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Commission are as follows:

<b>Program</b>	<b>Required By</b>
Public and Indian Housing	U.S. Department of Housing and Urban Development
Capital Fund Program	U.S. Department of Housing and Urban Development
Comprehensive Grant Program	U.S. Department of Housing and Urban Development

**2b. Deposits Laws and Regulations**

In accordance with state law, all uninsured deposits of the Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Commission must have a written collateral agreement. As reflected in Note 3a., all deposits were fully insured or collateralized.

# HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

## NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

### NOTE 2 - Stewardship, Compliance, and Accountability (Continued)

#### 2c. Revenue Restrictions

The Commission has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<i>Revenue Source</i>	<i>Legal Restrictions of Use</i>
Comprehensive Grant Program	Modernization
Capital Fund Program	Modernization

For the year ended December 31, 2004, the Commission complied, in all material respects, with these revenue restrictions.

### NOTE 3 - Detail Notes on Transaction Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

#### 3a. Cash

##### Deposits

The Commission's policies regarding deposits of cash are discussed in Note 1d. The table presented below is designed to disclose the level of custody credit risk assumed by the Commission based upon how its deposits were insured or secured with collateral at December 31, 2004. The categories of credit risk are defined as follows:

Category 1—Insured by FDIC or collateralized with securities held by the Commission (or public trust) or by its agent in its name

Category 2—Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Commission's name

Category 3—Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Commission's name; or collateralized with no written or approved collateral agreement

Type of Deposits	Total Bank Balance	Custody Credit Risk			Total Carrying Value
		Category 1	Category 2	Category 3	
Demand deposits	\$ 104,329.71	\$ 104,329.71	\$ —	\$ —	\$ 97,924.32
Total Deposits	\$ 104,329.71	\$ 104,329.71	\$ —	\$ —	\$ 97,924.32

# HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

## NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

### NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

#### 3b. Accounts Receivable

Receivables detail at December 31, 2004, is as follows:

Tenant accounts receivable	\$ 54,449.45
Allowance for doubtful accounts	<u>(5,500.00)</u>
Tenants accounts receivable - net	48,949.45
Accounts receivable - HUD	<u>1,197,775.09</u>
	<u>\$ 1,246,724.54</u>

#### 3c. Capital Assets

Capital asset activity for the year ended December 31, 2004, was as follows:

	Balance January 1, 2004	Additions	(Retirements)	Transfers in (out)	Balance December 31, 2004
Land	\$ 184,325.00	\$ —	\$ —	\$ —	\$ 184,325.00
Building	10,381,367.00	1,057,858.00	—	5,024,718.94	16,463,943.94
Furniture, equipment and machinery- dwelling	321,812.10	—	—	—	321,812.10
Furniture, equipment and machinery- administration	496,057.02	—	—	—	496,057.02
Leasehold improvements	483,753.00	—	—	—	483,753.00
Construction in progress	6,610,353.92	—	(892,611.95)	(5,024,718.94)	693,023.03
	18,477,668.04	<u>\$ 1,057,858.00</u>	<u>\$ (892,611.95)</u>	<u>\$ —</u>	18,642,914.09
Accumulated depreciation	4,600,439.13	<u>\$ 622,642.89</u>	<u>\$ —</u>	<u>\$ —</u>	5,223,082.02
Total	<u>\$ 13,877,228.91</u>				<u>\$ 13,419,832.07</u>

# HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

## NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

### NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

#### 3d. Accounts Payable

Payables are composed of payables to vendors and other government as follows:

Vendors	\$ 139,358.30
Other government - PILOT	<u>23,045.38</u>
	<u>\$ 162,403.68</u>

#### 3e. Compensated Absences

Accumulated unpaid compensated absences are accrued. The liability for compensated absences at December 31, 2004 is \$19,811.56.

#### 3f. Non-current Liabilities

As of December 31, 2004, the non-current liabilities are comprised of the following:

Accrued compensated absences - non current portion	\$ <u>17,830.40</u>
Total	\$ <u>17,830.40</u>

The following is a summary of changes in non-current liabilities for the year ended December 31, 2004:

	<u>Balance January 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2004</u>	<u>Amounts Due within One Year</u>
Accrued compensated absences	\$ <u>65,281.08</u>	\$ <u>—</u>	\$ <u>(47,450.68)</u>	\$ <u>17,830.40</u>	\$ <u>1,981.16</u>
Total	\$ <u>65,281.08</u>	\$ <u>—</u>	\$ <u>(47,450.68)</u>	\$ <u>17,830.40</u>	\$ <u>1,981.16</u>

# HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

## NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

### NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

#### 3g. Interprogram Transactions and Balances

##### *Operating Transfers*

	Transfers in	Transfers out
Public and Indian Housing - Low Rent Capital Fund Program	\$ 136,343.69	\$ — 136,343.69
Total	\$ 136,343.69	\$ 136,343.69

Transfers are used to move revenues from the program that is authorized to transfer them to the program in accordance with budgetary authorizations.

##### *Interprogram Receivable/Payable*

Public and Indian Housing - Low-Rent Capital Fund Program	\$ 981,673.46
Comprehensive Grant Program	(1,128,368.11)
Total	146,694.65
	\$ —

### NOTE 4 - Other Notes

#### 4a. Employee Retirement Plan

Defined Contribution Plan: The Commission has also provided a defined contribution plan. The defined contribution plan is available to all full-time employees not already participating in another plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, investment earnings, and forfeitures of other participants' benefits that may be allocated to such participant's account. Benefits vest after ten years of service. The Commission contributed 5 percent of covered payroll for certain employees during fiscal year 2004. Currently no contribution is made by the employer. Pension contributions for employee and employer totaled \$23,871.39 for the year ended December 31, 2004.

# HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

## NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

### NOTE 4 - Other Notes (Continued)

#### 4b. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The Commission manages these various risks of loss as follows:

Type of Loss	Method Managed
a. Torts, errors and omissions	Purchased insurance with Housing Authority Risk Management.
b. Injuries to employees (workers' compensation)	Purchased insurance with Accident Fund Co. Claims are administered by Accident Fund Co.
c. Physical property loss and natural disasters	Purchased commercial insurance with \$5,000 deductibles.
d. Health and life	Purchased health insurance with Blue Cross Blue Shield; Life insurance is provided by Reliastar Co.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

#### 4c. Commitments and Contingencies

##### Commitments—Construction

At December 31, 2004, the Commission had the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
CGP -704-96	\$ <u>1,143,864.00</u>	\$ <u>997,169.35</u>
	\$ <u>1,143,864.00</u>	\$ <u>997,169.35</u>
	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
CFP 501-02	\$ 1,327,258.00	\$ 1,322,258.00
CFP 501-03	1,026,569.00	843,263.40
CFP 502-03	<u>216,821.00</u>	<u>55,150.30</u>
	\$ <u>2,570,648.00</u>	\$ <u>2,220,671.70</u>

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 4 - Other Notes (Continued)

4c. Commitments and Contingencies (Continued)

Contingencies

The Commission is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Commission in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

The Commission is a defendant in lawsuits involving a former employee. The ultimate outcome of these lawsuits cannot presently be determined, however, provision for any liability that may result has not been made in the financial statements.



# HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

## COMBINING STATEMENT OF NET ASSETS BY PROGRAM

December 31, 2004

	<u>Low Rent Program</u>	<u>Comprehensive Grant Program</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 98,024.32	\$ —
Receivable - net of allowances:		
Accounts	48,949.45	—
Due from (to) interprogram	981,673.46	146,694.65
Prepaid expenses	67,540.14	—
Total Current Assets	<u>1,196,187.37</u>	<u>146,694.65</u>
Noncurrent Assets:		
Capital assets:		
Land, improvements, and construction in progress	184,325.00	—
Other capital assets, net of depreciation	11,484,626.04	—
Total capital assets- net	<u>11,668,951.04</u>	<u>—</u>
Total Noncurrent Assets	<u>11,668,951.04</u>	<u>—</u>
Total Assets	<u>\$ 12,865,138.41</u>	<u>\$ 146,694.65</u>

# HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

## COMBINING STATEMENT OF NET ASSETS BY PROGRAM (CONTINUED)

December 31, 2004

	Low Rent Program	Comprehensive Grant Program
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 92,996.70	\$ —
Accrued compensated absences	1,981.16	—
Tenant security deposit liability	71,117.50	—
Deferred revenues	31,513.45	146,694.65
Total Current Liabilities	197,608.81	146,694.65
Noncurrent Liabilities:		
Accrued compensated absences	17,830.40	—
Total Noncurrent Liabilities	17,830.40	—
Total Liabilities	215,439.21	146,694.65
<b>NET ASSETS</b>		
Invested in capital assets	11,668,951.04	—
Unrestricted	980,748.16	—
Total Net Assets	12,649,699.20	—
Total Liabilities and Net Assets	\$ 12,865,138.41	\$ 146,694.65

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM (CONTINUED)

December 31, 2004

	Capital Fund Program	Totals
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ —	\$ 98,024.32
Receivable - net of allowances:		
Accounts	1,197,775.09	1,246,724.54
Due from (to) interprogram	(1,128,368.11)	—
Prepaid expenses	—	67,540.14
Total Current Assets	69,406.98	1,412,289.00
Noncurrent Assets:		
Capital assets:		
Land, improvements, and construction in progress	693,023.03	877,348.03
Other capital assets, net of depreciation	1,057,858.00	12,542,484.04
Total capital assets- net	1,750,881.03	13,419,832.07
Total Noncurrent Assets	1,750,881.03	13,419,832.07
Total Assets	\$ 1,820,288.01	\$ 14,832,121.07

# HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

## COMBINING STATEMENT OF NET ASSETS BY PROGRAM (CONTINUED)

December 31, 2004

	Capital Fund Program	Totals
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 69,406.98	\$ 162,403.68
Accrued compensated absences	—	1,981.16
Tenant security deposit liability	—	71,117.50
Deferred revenues	—	178,208.10
Total Current Liabilities	69,406.98	413,710.44
Noncurrent Liabilities:		
Accrued compensated absences	—	17,830.40
Total Noncurrent Liabilities	—	17,830.40
Total Liabilities	69,406.98	431,540.84
<b>NET ASSETS</b>		
Invested in capital assets	1,750,881.03	13,419,832.07
Unrestricted	—	980,748.16
Total Net Assets	1,750,881.03	14,400,580.23
Total Liabilities and Net Assets	\$ 1,820,288.01	\$ 14,832,121.07

# HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

## COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS BY PROGRAM

For Year Ended December 31, 2004

	Low Rent Program	Comprehensive Grant Program
<b>Operating Revenues:</b>		
Rental revenue	\$ 911,405.48	\$ —
Operating subsidies- HUD grants	918,988.00	—
Other revenues	19,583.86	—
Total operating revenues	<u>1,849,977.34</u>	<u>—</u>
<b>Operating Expenses:</b>		
Personal services	929,317.38	—
Utilities	589,121.66	—
Operations and maintenance	250,430.54	—
Insurance	128,056.86	—
Payment in lieu of taxes	36,439.00	—
Other supplies and expenses	145,134.45	—
Depreciation	622,642.89	—
Total operating expenses	<u>2,701,142.78</u>	<u>—</u>
Operating income (loss)	<u>(851,165.44)</u>	<u>—</u>
<b>Non-operating revenues (expenses):</b>		
Interest and investment earnings	465.87	—
Net non-operating revenues (expenses)	<u>465.87</u>	<u>—</u>
Income (loss) before other revenues, expenses, gains, losses and transfers	<u>(850,699.57)</u>	<u>—</u>
Operating transfers in (out)	136,343.69	—
Change in net assets	<u>(714,355.88)</u>	<u>—</u>
Net assets at beginning of year	8,235,269.02	2,933,027.06
Equity transfers	5,128,786.06	<u>(2,933,027.06)</u>
Net assets at end of year	<u>\$ 12,649,699.20</u>	<u>\$ —</u>

# HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

## COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS BY PROGRAM (CONTINUED)

For Year Ended December 31, 2004

	Capital Fund Program	Totals
<b>Operating Revenues:</b>		
Rental revenue	\$ —	\$ 911,405.48
Operating subsidies- HUD grants	205,750.67	1,124,738.67
Other revenues	—	19,583.86
Total operating revenues	205,750.67	2,055,728.01
<b>Operating Expenses:</b>		
Personal services	—	929,317.38
Utilities	—	589,121.66
Operations and maintenance	—	250,430.54
Insurance	—	128,056.86
Payment in lieu of taxes	—	36,439.00
Other supplies and expenses	69,406.98	214,541.43
Depreciation	—	622,642.89
Total operating expenses	69,406.98	2,770,549.76
Operating income (loss)	136,343.69	(714,821.75)
<b>Non-operating revenues (expenses):</b>		
Interest and investment earnings	—	465.87
Net non-operating revenues (expenses)	—	465.87
Income (loss) before other revenues, expenses, gains, losses and transfers	136,343.69	(714,355.88)
Capital contributions	165,246.05	165,246.05
Operating transfers in (out)	(136,343.69)	—
Change in net assets	165,246.05	(549,109.83)
Net assets at beginning of year	3,781,393.98	14,949,690.06
Equity transfers	(2,195,759.00)	—
Net assets at end of year	\$ 1,750,881.03	\$ 14,400,580.23

# HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

## COMBINING STATEMENT OF CASH FLOWS BY PROGRAM

For Year Ended December 31, 2004

	Low Rent Program	Comprehensive Grant Program
<b>Cash flows from operating activities:</b>		
Cash received from tenants	\$ 935,152.47	\$ —
Cash received from HUD grants- operating	918,988.00	—
Cash received from other operating activities	19,583.86	—
Cash payments for goods and services	(1,103,907.21)	—
Cash payments to employees-salaries	(649,974.77)	—
Cash payments for employee benefit contributions	(332,065.58)	—
Cash payments for in lieu of property taxes	(46,814.00)	—
Net cash provided (used) by operating activities	(259,037.23)	—
<b>Cash flows from noncapital financing activities:</b>		
Operating transfers in (out)	136,343.69	—
Net cash provided (used) from non capital financing activities	136,343.69	—
<b>Cash flows from capital and related financing activities:</b>		
Receipts (payments) from interprograms	120,011.26	—
Net cash (used) for capital and related financing activities	120,011.26	—
<b>Cash flows from investing activities:</b>		
Interest and dividends	465.87	—
Receipts (payments) from tenant security deposits	(11,337.53)	—
Net cash provided (used) from investing activities	(10,871.66)	—
Net increase (decrease) in cash and cash equivalents	(13,553.94)	—
Cash and cash equivalents at beginning of year	111,578.26	—
Cash and cash equivalents at end of year	\$ 98,024.32	\$ —

# HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

## COMBINING STATEMENT OF CASH FLOWS BY PROGRAM (CONTINUED)

For Year Ended December 31, 2004

	Low Rent Program	Comprehensive Grant Program
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ (851,165.44)	\$ —
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	622,642.89	—
Changes in assets and liabilities:		
Receivables	(3,810.94)	—
Prepaid expenses	(3,801.14)	—
Accounts and other payables	2,262.44	—
Deferred revenues	27,557.93	—
Compensated absences	(52,722.97)	—
Net cash provided (used) by operating activities	\$ <u>(259,037.23)</u>	\$ <u>—</u>



**HAMTRAMCK HOUSING COMMISSION**

Hamtramck, Michigan

**COMBINING STATEMENT OF CASH FLOWS BY PROGRAM (CONTINUED)**

For Year Ended December 31, 2004

	<u>Capital Fund Program</u>	<u>Totals</u>
<b>Cash flows from operating activities:</b>		
Cash received from tenants	\$ —	\$ 935,152.47
Cash received from HUD grants- operating	205,750.67	1,124,738.67
Cash received from other operating activities	—	19,583.86
Cash payments for goods and services	(69,406.98)	(1,173,314.19)
Cash payments to employees-salaries	—	(649,974.77)
Cash payments for employee benefit contributions	—	(332,065.58)
Cash payments for in lieu of property taxes	—	(46,814.00)
	<u>136,343.69</u>	<u>(122,693.54)</u>
<b>Net cash provided (used) by operating activities</b>		
<b>Cash flows from noncapital financing activities:</b>		
Operating transfers in (out)	<u>(136,343.69)</u>	<u>—</u>
<b>Net cash provided (used) from non capital financing activities</b>	<u>(136,343.69)</u>	<u>—</u>
<b>Cash flows from capital and related financing activities:</b>		
Capital contributions	215,850.33	215,850.33
Receipts (payments) from interprograms	(120,011.26)	—
Payments for capital assets	<u>(95,839.07)</u>	<u>(95,839.07)</u>
<b>Net cash (used) for capital and related financing activities</b>	<u>—</u>	<u>120,011.26</u>
<b>Cash flows from investing activities:</b>		
Interest and dividends	—	465.87
Receipts (payments) from tenant security deposits	<u>—</u>	<u>(11,337.53)</u>
<b>Net cash provided (used) from investing activities</b>	<u>—</u>	<u>(10,871.66)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>—</u>	<u>(13,553.94)</u>
<b>Cash and cash equivalents at beginning of year</b>	<u>—</u>	<u>111,578.26</u>
<b>Cash and cash equivalents at end of year</b>	\$ <u>—</u>	\$ <u>98,024.32</u>
<b>Noncash Investing, Capital and Financing Activities:</b>		
Acquisition of capital assets on account	\$ <u>69,406.98</u>	\$ <u>69,406.98</u>

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM (CONTINUED)

For Year Ended December 31, 2004

	<u>Capital Fund Program</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 136,343.69	\$ (714,821.75) U
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	—	622,642.89
Changes in assets and liabilities:		
Receivables	—	(3,810.94)
Prepaid expenses	—	(3,801.14)
Accounts and other payables	—	2,262.44
Deferred revenues	—	27,557.93
Compensated absences	—	(52,722.97)
Net cash provided (used) by operating activities	\$ <u>136,343.69</u>	\$ <u>(122,693.54)</u>

# HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS

Year Ended December 31, 2004

### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Fiscal Year</u>	<u>Federal Grantor</u>	<u>Federal CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing</u>		
	<u>Major - Direct Program</u>		
2004	Low Rent Program	14.850a	\$ <u>918,988.00</u>
	<u>Public and Indian Housing</u>		
	<u>Major - Direct Program</u>		
2004	Capital Fund program	14.872	\$ <u>370,996.72</u>
	<b>Total</b>		\$ <u>1,289,984.72</u>

### NOTES TO THE SCHEDULE OF FEDERAL AWARDS

#### NOTE 1 - Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

# HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

## FINANCIAL DATA SCHEDULE

Year Ended December 31, 2004

FDS Line Item No.	Low Rent Program 14.850a	Comprehensive Grant Program 14.859
Assets:		
Current Assets:		
Cash		
111 Cash-unrestricted	\$ 98,024.32	\$ —
100 Total cash	<u>98,024.32</u>	<u>—</u>
Accounts and notes receivable:		
126 Accounts receivable- tenants-dwelling rents	54,449.45	—
126.1 Allowance for doubtful accounts-dwelling rents	<u>(5,500.00)</u>	<u>—</u>
120 Total receivables, net of allowance for doubtful accounts	<u>48,949.45</u>	<u>—</u>
142 Prepaid expenses and other assets	67,540.14	—
144/		
(347) Interprogram due from	<u>981,673.46</u>	<u>146,694.65</u>
150 Total current assets	<u>1,196,187.37</u>	<u>146,694.65</u>
Noncurrent Assets:		
Fixed assets:		
161 Land	184,325.00	—
162 Buildings	15,406,085.94	—
163 Furniture, equipment and machinery-dwellings	321,812.10	—
164 Furniture, equipment and machinery-administration	496,057.02	—
165 Leasehold improvements	483,753.00	—
166 Accumulated depreciation	<u>(5,223,082.02)</u>	<u>—</u>
160 Total fixed assets, net of accumulated depreciation	<u>11,668,951.04</u>	<u>—</u>
180 Total noncurrent assets	<u>11,668,951.04</u>	<u>—</u>
190 Total Assets	<u>\$ 12,865,138.41</u>	<u>\$ 146,694.65</u>

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2004

FDS Line Item No.		Low Rent Program 14.850a	Comprehensive Grant Program 14.859
	<b>Liabilities and Equity:</b>		
	Liabilities:		
	Current Liabilities:		
312	Accounts payable < 90 days	\$ (69,951.32)	\$ —
322	Accrued compensated absences- current portion	(1,981.16)	—
333	Accounts payable -other government	(23,045.38)	—
341	Tenant security deposits	(71,117.50)	—
342	Deferred revenues	(31,513.45)	(146,694.65)
310	Total current liabilities	(197,608.81)	(146,694.65)
	Noncurrent Liabilities:		
354	Accrued compensated absences- non current portion	(17,830.40)	—
350	Total noncurrent liabilities	(17,830.40)	—
300	Total liabilities	(215,439.21)	(146,694.65)
	Equity:		
508.1	Investment in capital assets , Net of Related Debt	(11,668,951.04)	—
512.1	Unrestricted Net Assets	(980,748.16)	—
600	Total Liabilities and Equity	<u>\$(12,865,138.41)</u>	<u>\$ (146,694.65)</u>

**HAMTRAMCK HOUSING COMMISSION**

Hamtramck, Michigan

**FINANCIAL DATA SCHEDULE (CONTINUED)**

Year Ended December 31, 2004

FDS Line Item No.		Low Rent Program 14.850a	Comprehensive Grant Program 14.859
	<b>Revenue:</b>		
703	Net rental revenue	\$ (912,828.65)	\$ —
704	Tenant revenue-other	(11,968.83)	—
705	Total tenant revenue	(924,797.48)	—
706	HUD PHA operating grants	(918,988.00)	—
711	Investment income-unrestricted	(465.87)	—
715	Other revenue	(19,583.86)	—
700	Total revenue	(1,863,835.21)	—
	<b>Expenses:</b>		
	Administrative		
911	Administrative salaries	272,165.98	—
912	Auditing fees	6,294.68	—
914	Compensated absences	(52,722.97)	—
915	Employee benefit contributions-administrative	132,930.91	—
916	Other operating-administrative	127,779.77	—
	Tenant services		
921	Tenant services-salaries	6,487.34	—
924	Tenant services-other	11,060.00	—
	Utilities		
931	Water	115,395.19	—
932	Electricity	269,888.29	—
933	Gas	203,838.18	—
	Ordinary maintenance and operation		
941	Ordinary maintenance and operation-labor	342,221.45	—
942	Ordinary maintenance and operation-materials & other	56,983.35	—
943	Ordinary maintenance and operation-contract costs	125,288.27	—
945	Employee benefit contributions-ordinary maintenance	199,134.67	—

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2004

FDS Line Item No.		Low Rent Program 14.850a	Comprehensive Grant Program 14.859
	Protective services		
952	Protective services-other contract costs	8,018.00	—
953	Protective services-other	60,140.92	—
	General expenses		
961	Insurance premiums	128,056.86	—
963	Payments in lieu of taxes	36,439.00	—
964	Bad debts- tenant rents	13,392.00	—
968	Severance expense	29,100.00	—
969	Total operating expenses	2,091,891.89	—
970	Excess (deficit) operating revenue over operating expenses	(228,056.68)	—
974	Depreciation expense	622,642.89	—
	Total expenses other than total operating	622,642.89	—
1000	Excess (deficit) of revenue over expenses before operating transfers in (out) and depreciation add back	(850,699.57)	—
1001	Operating transfers in	136,343.69	—
	Excess (deficit) of revenue over expenses after operating transfers in (out) and depreciation add back	\$ (714,355.88)	\$ —

# HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

## FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2004

FDS Line Item No.		Capital Fund Program 14.872	Total
	<b>Assets:</b>		
	Current Assets:		
	Cash		
111	Cash-unrestricted	\$ —	\$ 98,024.32
100	Total cash	—	98,024.32
	Accounts and notes receivable:		
122	Accounts receivable-HUD	1,197,775.09	1,197,775.09
126	Accounts receivable- tenants-dwelling rents	—	54,449.45
126.1	Allowance for doubtful accounts-dwelling rents	—	(5,500.00)
120	Total receivables, net of allowance for doubtful accounts	1,197,775.09	1,246,724.54
142	Prepaid expenses and other assets	—	67,540.14
144/ (347)	Interprogram due from	(1,128,368.11)	—
150	Total current assets	69,406.98	1,412,289.00
	Noncurrent Assets:		
	Fixed assets:		
161	Land	—	184,325.00
162	Buildings	1,057,858.00	16,463,943.94
163	Furniture, equipment and machinery-dwellings	—	321,812.10
164	Furniture, equipment and machinery-administration	—	496,057.02
165	Leasehold improvements	—	483,753.00
166	Accumulated depreciation	—	(5,223,082.02)
167	Construction in progress	693,023.03	693,023.03
160	Total fixed assets, net of accumulated depreciation	1,750,881.03	13,419,832.07
180	Total noncurrent assets	1,750,881.03	13,419,832.07
190	Total Assets	\$ 1,820,288.01	\$ 14,832,121.07



# HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

## FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2004

FDS Line Item No.		Capital Fund Program 14.872	Total
	<b>Liabilities and Equity:</b>		
	<b>Liabilities:</b>		
	<b>Current Liabilities:</b>		
312	Accounts payable < 90 days	\$ (69,406.98)	\$ (139,358.30)
322	Accrued compensated absences- current portion	—	(1,981.16)
333	Accounts payable -other government	—	(23,045.38)
341	Tenant security deposits	—	(71,117.50)
342	Deferred revenues	—	(178,208.10)
310	Total current liabilities	<u>(69,406.98)</u>	<u>(413,710.44)</u>
	<b>Noncurrent Liabilities:</b>		
354	Accrued compensated absences- non current portion	—	(17,830.40)
350	Total noncurrent liabilities	—	(17,830.40)
300	Total liabilities	<u>(69,406.98)</u>	<u>(431,540.84)</u>
	<b>Equity:</b>		
508.1	Investment in capital assets , Net of Related Debt	<u>(1,750,881.03)</u>	<u>(13,419,832.07)</u>
512.1	Unrestricted Net Assets	—	(980,748.16)
600	Total Liabilities and Equity	<u>\$ (1,820,288.01)</u>	<u>\$ (14,832,121.07)</u>

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2004

FDS Line Item No.		Capital Fund Program 14.872	Total
	<b>Revenue:</b>		
703	Net rental revenue	\$ —	\$ (912,828.65)
704	Tenant revenue-other	—	(11,968.83)
705	Total tenant revenue	—	(924,797.48)
706	HUD PHA operating grants	(205,750.67)	(1,124,738.67)
706.1	HUD PHA capital grants	(165,246.05)	(165,246.05)
711	Investment income-unrestricted	—	(465.87)
715	Other revenue	—	(19,583.86)
700	Total revenue	(370,996.72)	(2,234,831.93)
	<b>Expenses:</b>		
	<b>Administrative</b>		
911	Administrative salaries	—	272,165.98
912	Auditing fees	—	6,294.68
914	Compensated absences	—	(52,722.97)
915	Employee benefit contributions-administrative	—	132,930.91
916	Other operating-administrative	69,406.98	197,186.75
	<b>Tenant services</b>		
921	Tenant services-salaries	—	6,487.34
924	Tenant services-other	—	11,060.00
	<b>Utilities</b>		
931	Water	—	115,395.19
932	Electricity	—	269,888.29
933	Gas	—	203,838.18
	<b>Ordinary maintenance and operation</b>		
941	Ordinary maintenance and operation-labor	—	342,221.45
942	Ordinary maintenance and operation-materials & other	—	56,983.35
943	Ordinary maintenance and operation-contract costs	—	125,288.27
945	Employee benefit contributions-ordinary maintenance	—	199,134.67

# HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

## FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2004

FDS Line Item No.		Capital Fund Program 14.872	Total
	Protective services		
952	Protective services-other contract costs	---	8,018.00
953	Protective services-other	---	60,140.92
	General expenses		
961	Insurance premiums	---	128,056.86
963	Payments in lieu of taxes	---	36,439.00
964	Bad debts- tenant rents	---	13,392.00
968	Severance expense	---	29,100.00
969	Total operating expenses	69,406.98	2,161,298.87
970	Excess (deficit) operating revenue over operating expenses	301,589.74	73,533.06
974	Depreciation expense	---	622,642.89
	Total expenses other than total operating	---	622,642.89
	Excess (deficit) of revenue over expenses before operating transfers in (out) and depreciation add back	301,589.74	(549,109.83)
1000	Operating transfers in	---	136,343.69
1002	Operating transfers out	(136,343.69)	(136,343.69)
	Excess (deficit) of revenue over expenses after operating transfers in (out) and depreciation add back	\$ 165,246.05	\$ (549,109.83)

**Report on Compliance and on Internal Control Over Financial Reporting Based  
on an Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

Board of Commissioners  
Hamtramck Housing Commission  
Hamtramck, Michigan

We have audited the financial statements of the Hamtramck Housing Commission, Michigan, (Commission) as of and for the year ended December 31, 2004, and have issued our report thereon dated July 20, 2005. Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Because of the weak condition of the Commission's records as they relate to fixed asset accounting and other accounting records, we were unable to validate fixed assets and other financial statement amounts. In addition, we were unable to determine the validity of these accounts through the use of alternative procedures.

Compliance

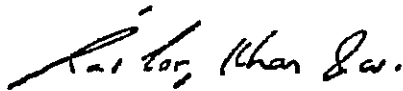
As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Commission's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described in findings 1 through 4 are material weaknesses.

This report is intended for the information of the Hamtramck Housing Commission, Michigan's management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Sailor, Khan & Co.  
July 20, 2005

Report on Compliance with Requirements Applicable to Each Major Program and  
Internal Control over Compliance in Accordance with OMB Circular A-133

Board of Commissioners  
Hamtramck Housing Commission  
Hamtramck, Michigan

Compliance

We have audited the compliance of the Hamtramck Housing Commission, Michigan, (Commission) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. The Commission's major federal programs are identified in the schedule of expenditures of federal awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

Except as discussed in the following paragraph, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Commission's compliance with those requirements.

Because of the weak condition of the Commission's records as they relate to fixed asset accounting and other accounting records, we were unable to validate fixed assets and other financial statement amounts. In addition, we were unable to determine the validity of these accounts through the use of alternative procedures.

In our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had we been able to determine the validity of fixed assets, the Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs.

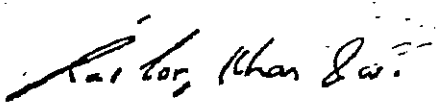
Internal Control Over Compliance

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal program. In planning and performing our audit, we considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgement, could adversely affect the Commission's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described in findings 5 and 6 are material weaknesses.

This report is intended for the information of the Hamtramck Housing Commission, Michigan's management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

  
Sailor, Khan & Co.  
July 20, 2005

# HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

## STATUS OF PRIOR AUDIT FINDINGS

December 31, 2004

The prior audit report for the year ended December 31, 2003 contained a total of nine audit findings:

### Financial Statement Findings

1.     **Finding:**       Comprehensive Grant Programs  
       **Status:**       Not implemented - see current finding #1
2.     **Finding:**       Fixed Asset and Depreciation Records  
       **Status:**       Not implemented - see current finding #2
3.     **Finding:**       Budget Overruns  
       **Status:**       Implemented
4.     **Finding:**       General Ledger  
       **Status:**       Not implemented - see current finding #3

### Federal Awards Findings

5.     **Finding:**       Tenant Accounts Receivable and Security Deposit  
       **Status:**       Implemented
6.     **Finding:**       Minutes Not Signed  
       **Status:**       Not implemented - see current finding #5
7.     **Finding:**       Bank Collateral  
       **Status:**       Implemented
8.     **Finding:**       Tenant File  
       **Status:**       Implemented
9.     **Finding:**       Missing Documents  
       **Status:**       Implemented



HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2004

SECTION I - SUMMARY OF AUDITOR RESULTS

Financial Statement:

Type of auditor's report issued:	Qualified
Internal control over financial reporting:	
▶ Material weakness(es) identified?	Yes
▶ Reportable condition(s) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	Yes
Is a "going concern" explanatory paragraph included in audit report?	No

Federal Awards:

Internal control over major programs:	
▶ Material weakness(es) identified?	Yes
▶ Reportable condition(s) identified that are not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) on Circular A-133?	Yes
Identification of major programs:	

CFDA

Number(s)   Name of Federal Program

14-850a	Public and Indian Housing
14-872	Public and Indian Housing - Capital Fund Program

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

December 31, 2004

SECTION II - FINANCIAL STATEMENT FINDINGS

The current audit report for the year ended December 31, 2004 disclosed the following Financial Statement audit findings:

1. Comprehensive Grant Programs / Capital Fund Programs

Criteria:

The Housing Commission must ensure that Comprehensive Grant Programs (CGP) and Capital Fund Programs (CFP) are properly accounted for on the general ledger.

Condition:

We noted that the Housing Commission does not sufficiently perform general ledger analysis of the Comprehensive Grant Programs and Capital Fund Programs. No specific identification is maintained as to whether the expenses incurred are hard cost or soft cost. In addition, old CGP program 704-96 is still not fully expended as of December 31, 2004, and there is a significant amount showing as a receivable from HUD on the Capital Fund Programs.

Questioned Costs:

Not determinable

Effect:

The CGP and CFP balances per the unadjusted general ledger do not appear to be properly supported, and there currently appears to be a significant unfunded amount due from HUD.

Cause:

The Housing Commission did not ensure the accuracy of the CGP and CFP balances per the general ledger and did not request funds from HUD in a timely manner.

Recommendation:

We recommend that the Housing Commission make it a priority to properly identify CGP and CFP activity in order to ensure an accurate and correct accounting of Comprehensive Grant Programs and Capital Fund Programs. In addition, all grant expenditures and HUD requisitions for funds must be monitored on a timely basis.

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

December 31, 2004

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

1. Comprehensive Grant Programs / Capital Fund Programs (Continued)

Management's Response:

This item has already been identified as a priority by the current Executive Director (tenure start date 12/29/04). Poor procurement procedures in the past produced/resulted in the present findings; these procedures have already been updated/replaced with ongoing vigilance.

Action Plan:

CGP and CFP activity will be monitored by the Financial Manager, the contracted Fee Accountant, the Executive Director and properly reported to the Board of Commissioners. For this and other specific financially-related areas of concern, two (2) computer software programs were installed and on-site training has taken place for both programs; MIP (general ledger, financial accounting software) and FAS (asset inventory software) are also integrated programs, meaning that entries into FAS can be immediately integrated into the correlating financial software components. Once fully implemented, this will greatly reduce margin or errors and "missed" entries. In addition, the new Executive Director meets personally with the Financial Manager on a daily basis to keep abreast of financial matters and the new Board of Commissioners now meet twice monthly in an effort to provide proper oversight.

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

December 31, 2004

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2. Fixed Asset and Depreciation Records

Criteria:

Fixed asset records must be sufficiently detailed. Amounts reported on the depreciation schedules must be supported by a complete physical inventory and detailed sufficiently to determine the source of funding.

Condition:

We noted that the Housing Commission's fixed asset records are not sufficiently detailed. There did not appear to be an inventory of fixed assets for amounts reported on the depreciation schedule.

Questioned Costs:

None

Effect:

The Housing Commission's fixed assets reported in the financial statements may not be accurate.

Cause:

Unknown.

Recommendation:

We recommend that the Housing Commission perform a thorough accounting of fixed asset records and make necessary adjustments to correct its depreciation schedules.

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

December 31, 2004

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2. Fixed Asset and Depreciation Records (Continued)

Management's Response:

The entire scope of "fixed assets" has been given minimal importance or attention in the past. The overall management of the office failed to pay proper attention to these details (and others). Corrections were never properly addressed for this finding.

Action Plan:

Responsible Person for Finding Resolution: Financial Manager/Maintenance Supervisor/Executive Director

FAS (Government Asset Inventory) software has been installed; on-site training has been given. Hamtramck Housing Commission (HHC) is in process of implementing a bar-code inventory system for use within this software system; this will result in better accuracy of results and greatly reduce the margin for errors and duplications. FAS is also integrated with the new financial software (MIP) which will also provide the same benefits to accuracy, errors, omissions and duplications in financial reporting. Once all components are in place (no longer than 6 months), a "complete" physical inventory will be taken of all assets at both housing complexes (dwelling and non-dwelling alike) and for perhaps the first time, HHC will be in a position to have an accurate accounting of its assets. In addition, both new software systems incorporate specific depreciation factors so desperately needed; there is also provision for the possibility of being able to "correct" previous errors for reporting purposes.

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

December 31, 2004

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

3. General Ledger.

Criteria:

The Housing Commission should take steps necessary to ensure the accuracy and completeness of financial statements.

Condition:

The general ledger was not properly maintained. In several instances we noted that accounts contained incorrect balances and required numerous adjusting entries to reflect actual balances at year end.

Questioned Costs:

None.

Effect:

The Housing Commission's financial statements before any adjusting entries contained numerous errors.

Cause:

Numerous transactions were incorrectly recorded by the Housing Commission. The Housing Commission did not exercise adequate control over the general ledger function.

Recommendation:

We recommend that it is imperative for the Housing Commission to exercise more care in processing and recording transactions to ensure the integrity of its financial system.

Management's Response:

We fully agree with this finding; this problem should not be occurring.

Action Plan:

Responsible Person for Finding Resolution: Financial Manager/Fee Accountant/Executive Director .

In addition to the numerous benefits expected through the use of new MIP software (see previous responses), it is the basic duty of the Fee Accountant to ensure that general ledger entries are "correct". Our Fee Accountant is being "placed on notice" that should this occurrence repeat itself, other services will be procured.

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

December 31, 2004

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

4. Payroll.

Criteria:

Salary amounts reflected on the general ledger must reconcile to the wages reported on the quarterly tax return.

Condition:

We noted a significant difference between salaries reported on the general ledger and salaries reported on the Federal 941 quarterly tax returns.

Questioned Costs:

None.

Effect:

Salary/wages paid to the employees in fiscal year 2004 were not in agreement with the general ledger.

Cause:

Unknown.

Recommendation:

We recommend that the PHA perform a payroll reconciliation on a periodic basis to ensure that salaries reported in the general ledger agree to the salaries reported on the 941 tax returns.

Management's Response:

We agree; these figures are intrinsic to our record keeping.

Action Plan:

Responsible Person for Finding Resolution: Financial Manager/Executive Director.

Effective immediately, the Financial Manager will meet with the Executive Director no less than once per month to verify proper general ledger entry of employee salaries and also verify agreement with 941 reporting prior to submission.



HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

December 31, 2004

SECTION III - FEDERAL AWARD FINDINGS

The current audit report for the year ended December 31, 2004 disclosed the following Federal Awards audit findings:

5. Minutes Not Signed

Federal Awards:

14.850 - Public and Indian Housing - Low Rent Program

Criteria:

Minutes of meeting of the Board are incomplete unless they are signed by the Chairman and the Secretary.

Condition:

We noted that various minutes of meetings of the Board of Commissioners were not signed.

Questioned Costs:

None.

Effect:

Minutes of meeting are incomplete.

Cause:

The Housing Commission did not place emphasis on the completeness of the Board Minutes.

Recommendation:

We recommend that the Housing Commission ensure that all minutes are adequately signed in order to ensure their completeness.

A handwritten signature in dark ink, appearing to be "Done" or similar, is written in the lower right quadrant of the page.



HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

December 31, 2004

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

5. Minutes Not Signed (Continued)

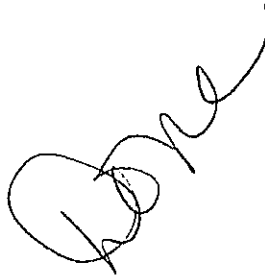
Management's Response:

This item has already been identified as a priority by the current Executive Director (tenure start date: 12/29/04). Due to a rapid succession of upper management turnovers and upheavals during FY 2004, the current administration is unable to locate supporting documentation; this includes fully-executed copies of the minutes from regular Board of Commissioners meetings.

Action Plan:

Responsible Person for Finding Resolution: Assistant To The Executive Director/Executive Director  
President, Board of Commissioners

Since the onset of his tenure (12/29/04), the new Executive Director has ensured that all minutes are signed by both the Executive Director or its designee and the Board President or its designee. Prior to obtaining proper signatures, all meeting minutes must be approved by the Board of Commissioners at a public meeting.

A handwritten signature in black ink, appearing to be "Done", is written diagonally across the lower right portion of the page.

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

December 31, 2004

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

6. Contract Administration

Federal Awards:

14.872 - Public Housing - Capital Fund Program

Criteria:

HUD requires that all pertinent bid and contract document forms be maintained when administering a contract.

Condition:

We noted that the PHA did not maintain the following forms required by HUD for the Filmore Construction contract:

- Instruction to bidders
- Reports, Certifications and Other Statements of Bid
- General Conditions
- Construction Progress Schedule
- Schedule of Amounts for Contracts Payments-
- Notice to proceed
- Bid tabulation form
- Log for potential delays.

Questioned Costs:

None.

Effect:

The PHA did not comply with HUD requirements while administering the aforementioned contract.

Cause:

Unknown

Recommendation:

We recommend that PHA ensure that all contracts and other required forms are signed and maintained in the contract file.



HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

December 31, 2004

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

6. Contract Administration (Continued)

Management's Response:

We fully agree with this finding, however please bear in mind that this finding was generated through the actions/inactions of the previous executive staff. HUD personnel had fully apprized the new E.D. of the poor and unacceptable Housing Commission procurement practices.

Action Plan:

Responsible Person for Finding Resolution: Assistant To The Executive Director/Executive Director President, Board of Commissioners.

Due to a rapid succession of upper management turnovers and upheavals during FY 2004, the current administration is unable to locate supporting documentation; almost every piece of documentation relative to the Filmore contract is "missing". One of the first actions by the present Executive Director (tenure start date: 12/29/04) was to make arrangements for both himself and the Assistant To The Executive Director to obtain proper training in procurement from Mr. Patrick McQuoid of HUD in Philadelphia. In order to make "large" procurement (i.e. A & E Services, Consultant Services, Legal Counsel, etc.), the Housing Commission is required to submit all procurement request documentation to HUD for approval prior to any ad placement or fund obligation. Since the onset of his tenure, to date the Executive Director has obtained proper HUD approval for architect/engineer, legal, consultant and various construction-related services. Proper contract administration documentation is maintained and periodically reviewed. This finding no longer applies to the Hamtramck Housing Commission, as will be evidenced during the audit for 2005.

